

Vol. X
TRANSCRIPT OF RECORD

(Pages 3639 to 3974)

Supreme Court of the United States

OCTOBER TERM, 1951

No. 428

**PENNSYLVANIA WATER AND POWER COMPANY
AND SUSQUEHANNA TRANSMISSION COMPANY
OF MARYLAND, PETITIONERS,**

vs.

FEDERAL POWER COMMISSION ET AL.

No. 429

**PENNSYLVANIA PUBLIC UTILITY COMMISSION,
PETITIONER,**

vs.

FEDERAL POWER COMMISSION

**ON WRITS OF CERTIORARI TO THE UNITED STATES COURT OF
APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT**

PETITIONS FOR CERTIORARI FILED NOVEMBER 16, 1951

CERTIORARI GRANTED FEBRUARY 4, 1952

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[22851]

CONTRACT

Agreement made as of this fifteenth day of November, 1945; by and between Metropolitan Edison Company (hereinafter called "Metropolitan") party of the first part, and Pennsylvania Water & Power Company (hereinafter called "Holtwood") party of the second part, both of the said companies being corporations organized and existing under the laws of the Commonwealth of Pennsylvania.

WHEREAS, each of the parties hereto owns and operates electric generating plants and a transmission system, which transmission systems are presently interconnected at Violet Hill in Spring Garden Township, York County, Pennsylvania by means of two 66,000 volt transmission lines; and

WHEREAS, Holtwood and its affiliated company, Safe Harbor Water Power Corporation (hereinafter called "Safe Harbor") with which it is interconnected, are primarily engaged in generating electrical energy by means of hydro-electric plants on the Susquehanna River and, because of the varying flow of the river, will have a variable amount of energy available from time to time and it is the intent that the parties hereto utilize the energy which may be made available by Holtwood to Metropolitan to the fullest extent consistent with good operating practice; and

WHEREAS, Metropolitan and Holtwood and Safe Harbor are now supplying electric power and energy to Edison Light and Power Company (which latter is affiliated with Metropolitan) under an agreement dated January 1, 1935, as supplemented in March of 1945, which expires at midnight March 31, 1946; and

WHEREAS, the parties hereto now interchange economy energy and capacity and supply emergency service to each other at various times under an agreement between them dated March 11, 1931 which expires at midnight March 31, 1946; and

WHEREAS, the continued effective use by the parties hereto of the existing interconnection of their facilities is advantageous to them and will likewise be of benefit to the public served by them; and

WHEREAS, Metropolitan desires to purchase and Holtwood [22852] (page 2) is willing to sell to Metropolitan certain capacity and energy:

NOW, THEREFORE, THIS AGREEMENT WITNESSETH that, in consideration of the premises and of the mutual covenants, promises and agreements hereinafter set forth, the parties hereto do hereby covenant and agree with each other as follows:

ARTICLE I

TERMINATION OF EXISTING AGREEMENTS

SECTION 1. The agreement dated March 11, 1931 between the parties hereto providing for the interconnection of their facilities, the furnishing of emergency service and the interchange of economy energy is hereby terminated as of midnight, December 31, 1945.

SECTION 2. The agreement dated January 1, 1935, as supplemented in March of 1945, between Metropolitan, Holtwood, Safe Harbor and Edison Light and Power Company is hereby terminated as of midnight, December 31, 1945. Holtwood shall secure written consent to such cancellation by Safe Harbor and Metropolitan shall secure written consent to such cancellation by Edison Light and Power Company.

ARTICLE II

EFFECTIVE DATE AND DURATION OF AGREEMENT

This agreement shall become effective at midnight of December 31, 1945, and shall continue to midnight of December 31, 1950, and thereafter for successive periods of three (3) years each, unless and until one of the parties hereto shall have given to the other, at least eighteen (18) months prior to the expiration of the original term of this contract or of any three (3) years' renewal period thereof, written notice of a desire to terminate this agreement at the end of such period.

ARTICLE III

DEFINITION OF "METROPOLITAN'S TOTAL REQUIREMENTS" AND
"METROPOLITAN'S STEAM LINE"

SECTION 1. The phrase "Metropolitan's total requirements", when used in this agreement, shall include all the firm power [22853] (page 3) and energy requirements of Metropolitan and its affiliated companies, Edison Light and Power Company, Glen Rock Electric Light and Power Company and New Jersey Power & Light Company.

SECTION 2. The phrase "Metropolitan's steam line", when used in this agreement, shall mean a value in kilowatts determined by deducting from the maximum clock one-hour integration of Metropolitan's total requirements during the current month or any of the prior eleven (11) months the amount of firm power in kilowatts provided for in Article IV, Section 1.

ARTICLE IV

AMOUNT OF FIRM POWER AND ENERGY TO BE SUPPLIED TO
METROPOLITAN BY HOLTWOOD

SECTION 1. (a) Subject to future decreases or increases in the amount thereof as provided in Subsection (b) of this

Section, Holtwood shall supply and Metropolitan shall receive 20,000 kilowatts of firm power.

(b) The amount of firm power to be supplied by Holtwood and received by Metropolitan may be decreased below or increased above 20,000 kw. under the following conditions:

1. At the election of Metropolitan, the amount of firm power may be decreased 1,000 kw. for each 10,000 kw. that the maximum clock one-hour integration of Metropolitan's total requirements during the current month or any of the prior eleven (11) months, is less than 275,000 kw. and any such decrease shall be effective with the current month upon notice to Holtwood of Metropolitan's election prior to rendition of the bill for such month, and shall continue only so long as such decreased maximum load condition continues.
2. At the election of Holtwood, the amount of firm power may be increased 1,000 kw. for each 10,000 kw. that the maximum clock one-hour integration of Metropolitan's total requirements during the current month or any of the prior eleven (11) months, is greater than 275,000 kw. and any such increase shall be effective with the current month upon notice to Metropolitan of Holtwood's election prior to rendition of the bill for such month, and shall continue only so long as such increased maximum load condition continues.

[22854] (page 4)

The adjustments in the amount of firm power resulting from the operation of this Subsection shall be limited to a maximum of 10,000 kw. below or above the 20,000 kw. of firm power provided for in Subsection (a) above.

(c) The firm power to be provided by Holtwood under Subsections (a) and (b), above, shall be measured on a clock one-hour integrated basis, and the swings that Holtwood shall be obligated to provide above this firm power supply to Metropolitan during such clock hour shall be limited to five (5) per cent of Holtwood's firm power obligation.

SECTION 2. Holtwood shall, upon request of Metropolitan, provide spinning reserve capacity (without firm energy commitment) for Metropolitan to the extent that the firm power provided for in Section 1 above, exceeds the hourly amounts of firm energy supply as provided for in Section 3 hereof.

SECTION 3. Holtwood shall supply to Metropolitan, and Metropolitan shall receive, hourly amounts of firm energy equal to the hourly integrated generation of Holtwood and Safe Harbor in excess of 50,000 kwh. per hour multiplied by the ratio of Holtwood's firm power obligation to Metropolitan as specified in Section 1, hereof, to the rated effective generating capacity of Holtwood and Safe Harbor minus 50,000 kw., but never less than Metropolitan's total energy requirements above Metropolitan's steam line; except that Metropolitan shall not be obligated to receive firm energy under the provisions of this Section in excess of that which it is able to absorb during its minimum load hours as Metropolitan may determine on the basis of desirable minimum steam requirements.

ARTICLE V

CHARGES FOR FIRM POWER AND ENERGY

SECTION 1. Subject to adjustments provided for hereinafter in Sections 4, 5 and 6 of this Article and in Article X hereof, Metropolitan shall pay Holtwood for the firm power and energy supplied, as provided for in Article IV

hereof, a Demand Charge and an Energy Charge as specified in Sections 2 and 3 hereof.

SECTION 2. *Demand Charges*

- (a) \$25,000.00 per month for the 20,000 kw. of firm power specified in Section 1 (a) of Article IV, plus or minus \$1,250.00 per month per 1,000 kw. of firm power increase or decrease as provided for under Section 1 (b) of Article IV.

[22855] (page 5)

- (b) \$0.50 per 1,000 kw. of spinning reserve capacity as provided for in Section 2 of Article IV, for each clock hour in which such reserve capacity is provided.

SECTION 3. *Energy Charges*

- (a) 4.0 mills per kilowatthour for firm energy supplied in any month in the portion of Metropolitan's total requirements above Metropolitan's steam line.
- (b) 3.5 mills per kilowatthour for firm energy supplied in any month between the hours of 7 A. M. and 9 P. M. on all days except Sundays and major holidays in Metropolitan's territory in excess of that billed under Subsection 3 (a) hereof.
- (c) 2.5 milis per kilowatthour for all additional firm energy supplied in any month in excess of that billed under Subsections 3 (a) and (b).

SECTION 4. The monthly energy charges specified in Section 3 hereof shall be subject to adjustment for variations in the power factor of the energy supplied by Holtwood to Metropolitan, except that no adjustment shall be made if and to the extent that the lowering of the power factor below the percentages hereinafter prescribed is caused by changes by Holtwood in the operation of its own

system. If in any month the average lagging power factor of such supply to Metropolitan at the points of delivery specified in Article VII during the hours from 7 A. M. to 9 P. M. on all days except Sundays and major holidays in Metropolitan's territory is less than 90%, the energy charges for the month under Subsections 3 (a) and (b) hereof shall be increased 1% for each whole per cent that the average power factor is below 90%. When the average power factor is less than 85% during the remaining hours of the month the energy charges for the month under Subsection 3 (c) hereof shall be increased by 1% for each whole per cent that the power factor is below 85%. In computing the average lagging power factor no account shall be taken of periods during which Metropolitan is prevented by accident or other abnormal conditions from utilizing its power factor corrective apparatus. Since firm energy as provided for in Article IV and interchange energy as provided for in Article IX are both measured at the same delivery points, it is mutually [22856] (page 6) agreed that no correction will be made for excessive lagging power factor caused by interchanging blocks of energy in excess of 5,000 kw. during emergencies or other abnormal periods or when transmitting blocks of energy in excess of 5,000 kw. through Metropolitan to third parties. The average lagging power factor shall be computed from the readings of the integrating reactive kilovolt-ampere-hour meters and of kilowatthour meters, both at the delivery points specified in Article VII. The kilovolt-ampere-hour meters shall be equipped with ratchets to prevent them from running backward on leading power factor.

SECTION 5. The monthly energy charges specified in Sections 3 and 4 hereof shall be subject to monthly adjustment based upon changes in cost of fuel to Metropolitan. The charges per kilowatthour in any month shall be increased or decreased one (1) per cent for each ten (10) cent increase above or decrease below \$5.00 per net or short ton

in the average cost of bituminous coal and freight only, on hand and delivered at Metropolitan's steam generating stations during the second preceding calendar month.

SECTION 6. So long as the monthly demand and energy charges specified in Sections 2, 3, 4 and 5 hereof remain in effect, they, together with the special facilities charge specified in Article VI, shall be subject to adjustment for variations in the taxes accrued by Holtwood and Safe Harbor. For the purpose of such adjustment 20% of these monthly charges shall be considered as payment for all taxes other than: (1) such portion of income or other taxes applicable to non-operating incomes or assets, (2) taxes specifically assignable to individual customers of Holtwood and Safe Harbor and (3) all local taxes assessed on real or personal property that are now levied by counties, cities, townships or other political subdivisions of the States. This adjustment for variations in the amount of taxes accrued by Holtwood and Safe Harbor and not excluded by the exceptions above, shall be made in accordance with the following formula:

$$Ma = M \times 0.8 \times \frac{Ha}{Ha-Ta}$$

in which

Ma = the amount payable by Metropolitan after adjustment for taxes has been made to M.

M = the charges provided for under Sections 2, 3, 4 and 5 [22857] (page 7) hereof and under Article VI.

Ha = the consolidated operating revenues of Holtwood and Safe Harbor adjusted (1) by subtracting (a) the actual income taxes or other taxes of a similar nature accrued on operating incomes, and (b) the taxes specifically assignable to individual customers of Holtwood and Safe Harbor, excluding, however, such taxes which result from intercompany transactions

between Holtwood and Safe Harbor, and (2) by adding the amounts of income taxes or taxes of a similar nature which would accrue if such taxes were computed on operating incomes, after excluding therefrom all non-operating incomes and all non-operating deductions. For example, and without limiting the generality of the foregoing, any deduction allowable for income tax purposes resulting from the retirement of an entire issue of bonds shall be treated as non-operating deductions.

Ta = the total taxes accrued by Holtwood and Safe Harbor adjusted (1) by subtracting (a) the actual income taxes or other taxes of a similar nature accrued on operating incomes and (b) the taxes excepted in the first paragraph of this Section 6, and (2) by adding the amounts of income taxes or taxes of a similar nature which would accrue if such taxes were computed on operating incomes, after excluding therefrom all non-operating incomes and all non-operating deductions. For example, and without limiting the generality of the foregoing, any deduction allowable for income tax purposes resulting from the retirement of an entire issue of bonds shall be treated as non-operating deductions.

Such adjustment shall be estimated from time to time during the calendar year and the effect of any revision shall be applied retroactively where applicable.

Metropolitan shall pay to Holtwood in addition to payments otherwise provided for in this Article and in Article VI all taxes which now or hereafter may be levied and which apply specifically to Holtwood's supply and services to Metropolitan or to the revenues received therefor.

SECTION 7. On or before the tenth day of every calendar month Holtwood shall render to Metropolitan a bill for the total charges under this Article and under Article

VI for the preceding month and Metropolitan shall pay said bill on or before the [22858] (page 8) twenty-fifth day of said month.

ARTICLE VI

SPECIAL FACILITIES

Metropolitan shall pay Holtwood at the rate of 1% per month on the cost of terminal and interconnection facilities at the Violet Hill Substation owned by Holtwood.

ARTICLE VII

CHARACTERISTICS OF SUPPLY AND POINTS OF DELIVERY

SECTION 1. The electric power and energy supplied to Metropolitan hereunder shall be in the form of three phase alternating current at a frequency of approximately sixty (60) cycles per second at the points of delivery specified in Section 3 of this Article. Voltage and frequency are to be held within the limits of good commercial practice.

SECTION 2. Each party hereto shall adjust, maintain and operate its system in such manner as will, to the greatest extent practicable, protect the equipment and service of the other from damage and interruption.

SECTION 3. The points of delivery shall be as follows:

- (a) The bus side of the present oil circuit breakers on Holtwood's 66,000 volt circuits (now known as Circuits Nos. 11 and 12) at Violet Hill Substation; and
- (b) Such other points of delivery between the parties hereto as may be mutually agreed upon either as additional points of delivery or in substitution for the foregoing specified point of delivery.

ARTICLE VIII

METERING

SECTION 1. Suitable metering equipment for measuring the energy, and reactive kva. supplied to Metropolitan

hereunder shall be [22859] (page 9) installed and maintained at the delivery points specified in Sections 3 (a) and (b) of Article VII, by and at the expense of Holtwood. Metropolitan may install, at its own expense, duplicate meters, to be known as "Checking Meters" at the specified points of delivery.

SECTION 2. Metropolitan shall provide suitable metering equipment, other than that provided for under Section 1 of this Article, for measuring the demand and energy necessary to the determination of Metropolitan's total requirements as specified in Article III.

SECTION 3. Routine calibration tests of billing and check meters shall be made at least once in every twelve months or at such shorter intervals as may be mutually agreed upon. At the request of either party hereto, these routine tests shall be made in the presence of representatives of both parties. In addition to these routine tests, in case either party at any time believes that any billing metering equipment registers incorrectly, it shall have the right to make or have made a special test on such equipment using methods mutually agreeable; such tests shall be made in the presence of representatives of both parties. After every test the meter shall be adjusted to read with as near absolute accuracy as possible within the then prevailing range of use, allowing for inaccuracy in the instrument transformers as determined by tests. Calibration of the ratio of instrument transformers, which involves considerable expense, shall be made only if found necessary.

Any metering equipment shall be considered accurate for billing purposes if, as the result of tests, the weighted average error above or below accuracy is found to be not greater than two (2) per cent. The calibration points (selected according to the prevailing range of use) and the

method of weighing the results are to be agreed upon before the tests, by the parties concerned.

If the weighted average error of any billing metering equipment is bound to be greater than two (2) per cent but the error of the check meter, if one is available, is two (2) per cent or less, the consumption since the last monthly reading preceding the request of test shall be billed according to the registration of the check meter. If the billing and check meters are both found to be more than two (2) per cent inaccurate, the probable consumption since the last monthly reading preceding the request for test shall be estimated and paid for as may be agreed upon between the parties. In no case shall any correction [22860] (page 10) whatever on account of inaccuracy of metering equipment extend back beyond thirty (30) days prior to the day of request for test or beyond the last preceding test in case this was within the thirty (30) day period.

ARTICLE IX

INTERCHANGE

SECTION 1. Metropolitan and Holtwood shall in addition to the firm power supply provided for in Article IV hereof, interchange electric energy and capacity for the purpose of obtaining economies in the production of energy and in the protection of service. Holtwood represents that for the purposes of this Article it is in a position to include the energy and/or capacity of Safe Harbor and for such purposes the same shall be treated as though it were owned and controlled by Holtwood. The interchange energy and capacity provided for hereunder shall be billed and paid for as follows:

(a) "Steam Economy Energy"

The billing for this interchange, between the parties hereto, shall be such that the savings resulting therefrom shall be equally divided between them.

(b) "Hydro Economy Energy"

The billing for this interchange, between the parties hereto, on Sundays and major holidays in Metropolitan's territory and between the hours of 9 P. M. and 7 A. M. on weekdays shall be at 70% of the cost of the displaced steam generated energy.

(c) "Steam Economy Capacity"

The billing for this interchange, between the parties hereto, shall be such that the savings resulting therefrom shall be equally divided between them.

(d) "Hydro Economy Capacity"

The billing for this interchange, between the parties hereto, shall be at rates agreed upon [22861] (page 11) from time to time.

(e) "Emergency Supply"

The billing for this interchange, between the parties hereto, for energy and/or capacity shall be on the basis of economy transactions based on the receiving company's next available capacity (if receiving company has no next available capacity and the supply is from hydro the receiving company's top 20,000 kw. of capacity shall be considered as its next available capacity), or the supplying company's cost plus 10%, whichever is the greater.

(f) The billing for interchange, involving others in addition to the parties hereto, shall be at rates agreed upon from time to time.

(g) "Energy without Replacement Value"

The billing for energy generated by Metropolitan or purchased by it from others and supplied to Holtwood for which Holtwood may have no re-

placement value, shall be at the rates provided for in Subsections (e) and (f) hereof.

SECTION 2. On or before the tenth day of every calendar month Holtwood and Metropolitan each shall send to the other a bill for the total charges under this Article for the preceding month and each shall pay said bill to the other on or before the twenty-fifth of said month.

ARTICLE X

INTERRUPTIONS TO SERVICE

In case Holtwood is prevented from delivering or Metropolitan is prevented from taking the electric power and energy provided for in Article IV, by strike, riot, fire, invasion, explosion, flood, storm, lightning, judicial or administrative order, act of God or public enemies, no party shall be under any liability to the other by reason of such failure; provided, however, that nothing herein contained shall be construed as permitting Holtwood to refuse to deliver electric power and [22862] (page 12) energy or Metropolitan to refuse to receive the same, as provided for in this agreement, as soon as the cause of such interruption is removed, and each party hereto shall be prompt and diligent in restoring equipment to service for the delivery and receipt of power and energy.

In case Metropolitan is prevented from taking said electric energy, in whole or in part, by reason of any of the causes enumerated in this Article, a proportionate adjustment in the energy charges provided for hereunder shall be made by Holtwood.

ARTICLE XI

OPERATING COMMITTEE

Each of the parties hereto shall appoint a representative who may be changed from time to time, at the pleasure

of the appointing party. The representatives so appointed shall meet from time to time and as often as may be desirable for the purpose of carrying out the terms of this agreement in a mutually satisfactory manner.

ARTICLE XII

WAIVER OF RIGHTS

The failure of either party hereto to enforce from time to time a strict performance of any of the covenants and agreements herein contained, or the waiving from time to time of a default on the part of either party hereto, shall not be construed as a waiver of any continuing or subsequent default or defaults, nor impair the rights of any of the parties hereto subsequently to require the strict performance of each and every covenant, agreement and understanding herein contained.

ARTICLE XIII

JURISDICTION OF REGULATORY BODIES

The charges provided for in this agreement shall be subject to increase or decrease from time to time by order of regulatory authorities having jurisdiction to regulate such charges under the constitution and laws of the Commonwealth [22863] (page 13) of Pennsylvania and of the United States.

ARTICLE XIV

ASSIGNMENT

The terms and provisions of this Agreement shall enure to and be binding upon the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed by their respective

3654

Exhibit No. 72

officers, thereunto duly authorized, and their respective corporate seals to be hereunto affixed, as of the day and year first above written.

PENNSYLVANIA WATER & POWER COMPANY

(Signed) G. W. SPAULDING (Seal)

Vice President

Attest:

(Signed) Wm. H. EICHORN, JR.

Secretary

METROPOLITAN EDISON COMPANY

(Signed) O. TITUS (Seal)

President

Attest:

(Signed) E. L. BARTH

Asst. Secretary

EXHIBIT NO. 73.

[22867]

COATESVILLE POWER SUPPLY CONTRACT

AGREEMENT made this first day of August, 1933, by and between PHILADELPHIA ELECTRIC COMPANY (hereinafter called "PX"), party of the first part, and PENNSYLVANIA WATER & POWER COMPANY (hereinafter called "Holtwood Company") and SAFE HARBOR WATER POWER CORPORATION (hereinafter called "Safe Harbor Company"), parties of the second part (hereinafter called "Hydro"), all of said companies being corporations of the Commonwealth of Pennsylvania.

PX, as successor to Chester Valley Electric Company, has been purchasing from Holtwood Company a large part of the electrical requirements of the territory formerly served by Chester Valley Electric Company under an agreement dated April 2, 1923, and extending until midnight of March 31, 1934, between Chester Valley Electric Company and Holtwood Company. PX desires to continue to purchase such supply under the terms contained herein.

Holtwood Company desires to continue to sell electric supply to PX under the terms contained herein.

Safe Harbor Company, affiliated with Holtwood Company, desires to become a party to this agreement, and to undertake with Holtwood Company to furnish the electric supply desired by PX, which is satisfactory to Holtwood Company and PX.

[22868] (page 2)

Now, THEREFORE, in consideration of the premises and of the mutual covenants, promises and agreements hereinafter set forth, the parties hereto do hereby agree with each other as follows:

ARTICLE I

EFFECTIVE DATE AND DURATION OF AGREEMENT

This agreement shall become effective at midnight of March 31, 1934, and shall continue in force until midnight of March 31, 1939, and thereafter for successive periods of three (3) years duration each unless and until either party shall have given to the other party, at least eighteen (18) months prior to the expiration of the original term or of any extension thereof, written notice of its desire to terminate the agreement at the end of that period.

ARTICLE II

AMOUNT OF POWER AND ENERGY

SECTION 1. Hydro shall be obligated to supply and PX shall be obligated to receive and pay for the entire electrical power and energy requirements of PX for use and/or sale within the territory now supplied by the distribution system of the former Chester Valley Electric Company, or by any extension of the said distribution system which PX may make, except that

(a) PX at its option may furnish from sources other than Hydro the requirements of those portions of said territory which lie east of an imaginary line running from Whitford in a northerly direction to Nantmeal Village, [22869] (page 3) and south of an imaginary line running in a westerly direction from Embreeville south of Buck Run to Lenover, provided such portion of said territory can be connected, in the judgment of PX, to such other sources more economically than to the Newlinville Substation;

(b) PX may generate, by means of non-condensing generating units at its Coatesville steam plant, an amount of power and energy not greater than that incidentally generated in connection with the supply

of steam required for the steam heating load of PX in Coatesville;

(c) PX may supply from its own system any electrical power and energy necessary in said territory for the electrification of railroads;

(d) PX may obtain electrical energy from its industrial customers in said territory under interchange arrangements if the generation of such energy by such customers is incidental to the supply of steam required by said industrial customers in their processes and if such supply does not affect adversely the quality of service under this contract or introduce unsatisfactory parallel operating conditions, provided, however, that PX shall not receive from any such industrial customer in any one month substantially more energy than PX supplies to that industrial customer in the same month;

(e) ~~Nothing herein~~ contained shall obligate Hydro to increase the capacity of Holtwood Company's existing transmission line from Holtwood to Coatesville, or to provide an additional line or lines, at any time. Furthermore Hydro shall not be obligated to provide step-up transformer capacity for service to PX in addition to [22870] (page 4) that now owned and operated by Holtwood Company at Holtwood, on account of increases in load occurring after either party hereto has notified the other party of its desire to terminate this agreement under the provisions of Article I.

SECTION 2. In the event of emergency in PX's system outside of the charter territory of the former Chester Valley Electric Company, PX may request Hydro, and Hydro shall be obligated, to supply through the Newlinville Substation the emergency requirements of PX, in addition to the electrical requirements of the territory stated in Sec.

tion 1 of this Article, to the extent that Hydro may judge it has generating and transmission capacity available for such emergency supply without detriment to service to its other customers.

SECTION 3. In case of emergency in the system of Hydro, Hydro may request PX and PX shall be obligated to generate at its Coatesville steam plant, and/or to supply over its 33 Kv. circuit from Cromby and any other interconnection PX may make between Coatesville and other parts of its system, the emergency requirements of Hydro, for supply to the territory described in Section 1 of this Article and/or for backfeed to Holtwood, through the Newlinville Substation, to the extent that PX may judge it has generating and transmission capacity available for such emergency supply without detriment to service to its other customers.

ARTICLE III

RATES AND PAYMENTS

SECTION 1. PX shall pay Hydro for the electrical supply described in Article II, Section 1, hereof a Demand Charge, [22871] (page 5) an Energy Charge and a Transmission Charge according to the following schedules:

Demand Charge:

\$1.35 per month per Kw. for the first 2,500 Kw. of the Billing Demand.

\$1.05 per month per Kw. of Billing Demand above 2,500 Kw.

Energy Charge:

4.0 mills per Kwh. for the first 150 Kwh. per month per Kw. of the monthly maximum demand.

3.5 mills per Kwh. for the next 250 Kwh. per month per Kw. of the monthly maximum demand.

3.0 mills per Kwh. for all excess Kwh.

Transmission Charge:

\$5,000.00 per month.

SECTION 2. The maximum demand in any month, to be used in determining Billing Demands and in the blocking of energy, shall be the highest demand in kilowatts of supply under Article II, Section 1, in that month, averaged over any period of thirty (30) consecutive minutes, subject to increase for low power factor as provided in Article V.

The Billing Demand for any month shall be the greater of the following quantities (a) and (b):

(a) The maximum demand in that month.

(b) The average of the maximum demand in that month and the highest maximum demand in any of the preceding eleven (11) months.

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In no event shall the Billing Demand be less than 2,500 Kw.

SECTION 3. For emergency supply by Hydro at PX's request as described in Article II, Section 2, PX shall pay Hydro the latter's actual additional expense for such emergency supply plus twenty-five (25) per cent, but the unit rate for such emergency supply shall not be less than 3.0 mills per Kwh. as metered at Newlinville.

For emergency supply by PX at Hydro's request as described in Article II, Section 3, which is supplied to the territory described in Section 1 of Article II, Hydro shall pay to PX the latter's actual additional expense for such emergency supply plus twenty-five (25) per cent, but the unit rate for such emergency supply shall not be less than 3.0 mills per Kwh. PX will consider such emergency supply to Hydro as being resold to PX by Hydro, and Hydro shall include such supply in the demand and energy which it will bill to PX at the rates set forth in Section 1 of this Article.

For emergency supply by PX at Hydro's request as described in Article II, Section 3, which is fed back to Holtwood, Hydro shall pay PX the latter's actual additional